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ABSTRACT

A study examined one state's suggestion for more cost-effective health insurance for teachers. Health insurance coverage for public school teachers in Wisconsin is determined through a collective-bargaining process. The Wisconsin Education Association (WEA) Insurance Corporation is affiliated with the states largest teachers' union and provides coverage to about 85 percent of the state's districts. Districts rarely put health insurance plans out to bid. Relative to other health insurers, WEA is more profitable. These facts suggest that competition between health insurers for teachers is limited. A current study reports a statistical analysis that tested whether WEA charges more for coverage than other insurers, controlling for demographic differences of those insured, policy characteristics, and other factors that are believed to be associated with the price of coverage. The results indicate that WEA does charge more than other insurers. The ability of the union-district contract negotiation process to result in an equitable determination of health insurance coverage is cast into doubt. Without a change in the rules governing the negotiation of health insurance benefits, there is little reason to believe that a competitive market for teachers' insurance will exist. A model for possible reform suggests the health insurance pool for state employees as an alternative. Assuming that the average teacher has the same health risks as an average state employee, the average teacher would have the equivalent of a pay raise of $875. Statewide the savings would be approximately $50 million a year. (RKJ)

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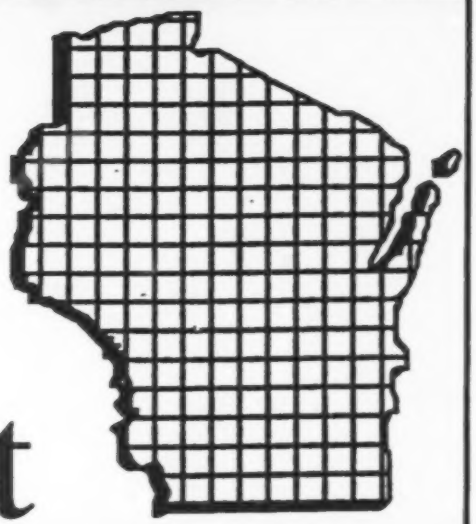

December 2000 Volume 13, Number 8

Health Insurance For Public School Teachers In Wisconsin

A Good Value for Taxpayers or a Case of Market Abuse?

EA 031347

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REPORT FROM THE PRESIDENT:

There is no faster growing cost in education than health care insurance premiums. Estimates are that the total amount being spent in Wisconsin school districts is rapidly approaching one billion dollars per year. Yet there has been very little research done on this excessive government spending. We contracted with two scholars to examine whether health insurance for Wisconsin public school teachers was a good value for taxpayers or a case of market abuse.

Dr. Mark Browne is an Associate Professor of Risk Management and Insurance at the University of Wisconsin-Madison. He has an international reputation and has been involved in analyzing health insurance costs for many years. His co-author, Dr. Linda Leetch, also has a Ph.D. in Risk Management and Insurance and is an independent consultant and researcher who specializes in health care costs. These two researchers, working with data from the Wisconsin Association of School Boards and other sources, have been able to analyze how Wisconsin school districts provide health care for their employees. The results are very disturbing.

Of 426 school districts in this study, 85% receive their health care insurance coverage from the Wisconsin Education Association Insurance Corporation, which is affiliated with the largest teachers union in the state. What is amazing is that a de facto monopoly has been established through negotiations with the local school districts rather than any kind of bidding process.

Using the available data, Professor Browne and Dr. Leetch recommend that the current system be reformed to benefit Wisconsin taxpayers and individual teachers. Their recommendation for forcing competition would be to switch current health insurance benefits in school districts to the state of Wisconsin's health insurance pool administered by the Department of Employee Trust. They estimate on a statewide basis that $50 million would be saved annually. If the savings were passed on to the teachers, the average teacher would receive a pay increase of $875.

Clearly something has to change in the year 2000. We need competition to get the best possible deal for taxpayers and teachers in Wisconsin and we need to do it immediately. There is no justification for allowing a system to continue where one insurance company has a seeming monopoly on taxpayer money. This is clearly an issue that must be debated at the local and state levels by elected officials ranging from school board members to legislators to the Governor.

James H. Miller

WISCONSIN POLICY
RESEARCH INSTITUTE INC.

HEALTH INSURANCE FOR PUBLIC SCHOOL TEACHERS IN WISCONSIN:

A Good Value for Taxpayers or a Case of Market Abuse?

MARK BROWNE, Ph.D
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Executive Summary

The health insurance coverage that public school teachers in Wisconsin receive from their school districts is determined through the collective bargaining process. The Wisconsin Education Association (WEA) Insurance Corporation, an entity affiliated with the state's largest teachers union, provides insurance coverage to roughly 85% of these districts. The Wisconsin Association of School Boards reports that the school districts rarely put the health insurance plans out to bid. Relative to other health insurers providing health insurance to school districts, the WEA Insurance Corporation is more profitable. The WEA Insurance Corporation's rate of profitability, dominant market presence, and unique affiliation with the largest teachers union in the state suggest that competition between insurers to write health insurance coverage may be severely limited in most districts.

The current study reports the results of a statistical analysis that tested whether WEA Insurance Corporation charges more for health insurance coverage than other insurers. The analysis controlled for various factors believed to be associated with the price of insurance coverage. The results suggest that WEA Insurance Corporation does charge more for its insurance product than other insurers.

The ability of the union-district contract negotiation process to result in an equitable determination of health insurance coverage for teachers is cast into doubt by this study. The unique position that the WEA Insurance Corporation, as an affiliate of WEA, holds relative to other health insurers competing for the teachers' health insurance business appears to provide it unparalleled advantage in the negotiation that occurs over health insurance coverage. Without a change in the rules governing the negotiation of health insurance benefits, there is little reason to believe that a competitive market for teachers' health insurance can possibly exist in the future.

Reform that would foster competition in the market for teachers' health insurance would serve the interests of Wisconsin's taxpayers and teachers. A model for reform is the health insurance pool for state employees. This is administered by the Department of Employee Trust Funds (ETF), as is a similar pool available to Wisconsin public employers. On a statewide basis, savings that would result from school districts participating in the state employee health insurance pool are estimated to be approximately $50,000,000 per year. If the savings were passed to Wisconsin's teachers, the average teacher in the state would receive a pay increase of $875. These estimates are based on the assumption that the average teacher is neither a better nor worse health risk than the average currently insured state employee. Savings would result in some districts that currently insure with WEA Insurance Corporation, as well as in some districts that currently insure with other health insurers.

Section I: Introduction

The health insurance market for public school teachers in Wisconsin is dominated by the Wisconsin Education Association (WEA) Insurance Corporation, an affiliate of the state's largest teachers union. The WEA Insurance Corporation writes the health insurance coverage on teachers in roughly 85% of the school districts in the state. The fact that the union representing the teachers in contract negotiations also operates the health insurer that completely dominates this niche market raises a troubling question: does the dual role of health insurer and union permit WEA to stifle competition from other health insurers in this market? This study provides evidence that relative to other insurers in the market for teachers' health insurance, the premium charged by the WEA Insurance Corporation is high. Further, the authors estimate that if public school teachers were included in the state employee health insurance pool, the savings on health insurance would exceed $50,000,000 per year.

In addition to the unusual role played by WEA Insurance Corporation, several other anomalies characterize the teachers' health insurance market. The insurance policies the districts provide are known for their depth and breadth of coverage. For instance, teachers in many school districts receive indemnity insurance. Unlike the HMO and PPO coverage that many Wisconsin workers receive from their employers, indemnity insurance typically does not restrict the hospitals or health professionals from whom the insured can receive reimbursable care. While indemnity insurance usually contains cost-sharing provisions, the policies provided by many school districts contain deductible and coinsurance rates that are low. Whether the level of coverage generosity is a result of the WEA Insurance Corporation's presence in the market or a reflection of the preferences of teachers to tradeoff wages for increased fringe benefits is beyond the scope of this study. Worth noting is that WEA Insurance Corporation has a reputation as a company that provides extensive coverage through its insuring agreement and that does provide a very high level of service to its customers. The high premiums that the WEA Insurance Corporation charges relative to other insurers may result from a higher cost structure.

The cost of the teachers' health insurance varies considerably from district to district. For instance, the monthly annual premium for family coverage during the 1998-1999 academic year was $414.50 in Beloit and $735.22 in Glendale–River Hills. Differences in premiums paid by school districts for health insurance for teachers is likely due in large part to the health profile of the teachers in different districts and variations in the costs of medical care in different parts of the state. In all districts the cost of health insurance is a significant expense. To the extent the premiums are higher because the WEA Insurance Corporation uses its position at the contract negotiation table to monopolize the market, the expenditures on insurance may not be a good value for Wisconsin taxpayers.

This study examines whether the market for health insurance for public school teachers is operating in a competitive manner. The huge market share held by the WEA Insurance Corporation and its favored position in the contract negotiation process raise the concern that it exercises market power. Section II provides a discussion of the roles played by the school districts, unions, and health insurers in determining health insurance coverage. The empirical analysis that is presented in Section III provides evidence that WEA Insurance Corporation charges districts more for its health insurance policies than other health insurers. Section IV includes a discussion of the financial implications of school districts participating in the state employee health insurance pool. A summary of the major results of this study and their implications are contained in Section V.

Section II: Negotiation Of Health Insurance Benefits for Public School Teachers

Public School Teachers and the Union Movement in Wisconsin

In the 1960s Wisconsin passed a collective bargaining law for public teachers and support staff. As a result of collective bargaining, teachers organized as unions to negotiate key aspects of their school district employment contract and to protect those issues that are perceived as being in labor's interest. An environment was created in which contract disagreements between these unions and school boards became fuel for potential teacher strikes when common ground was not found. The state suffered through a particularly divisive and bitter strike in 1974 when 84 Hortonville teachers were fired. The Legislature then passed a mediation/arbitration law that created a system for resolving contract disputes without strikes.[1]

Teacher compensation, consisting of salary and benefits, is clearly in labor's interest and is subject to collective bargaining. Because teacher compensation is subject to collective bargaining, the school districts have a "duty to bargain." This duty to bargain means that any changes in *wages, hours, and working conditions* (such as benefits) cannot be unilaterally done without bargaining with the teacher's union. Furthermore, the "duty" includes setting a reasonable time and place for the bargaining to take place.

In 1993, legislation was passed that repealed the mediation and binding arbitration procedures effective July 1, 1996.[2] In its place a concept called "qualified economic offers" (QEO) was enacted. A QEO requires that the school board's offer of wage increase must be *at least* 2.1 percent per year and fringe benefit increases must be *at least* 1.7 percent (emphasis added). In addition, any increases in the cost of fringe benefits above the 1.7 percent limit are counted against the permissible wage increase.[3]

As is seen, the history of certain legislation since the 1960s and the creation of teacher unions have led to an environment where decisions regarding teacher compensation is not at the sole discretion of the school board. There are opportunities, however, for potential compromise between labor and management regarding working conditions.

Public School Health Insurance and Contract Negotiation

Two teacher unions became instrumental in teacher negotiation. Teacher unions in Wisconsin are predominantly affiliated with two national organizations — the American Federation of Teachers (AFT) and the National Education Association (NEA). The NEA has a strong presence through the Wisconsin Education Association Council (WEAC) with 88,000 members. The Wisconsin Federation of Teachers on the other hand represents 2,094 public school workers.[4] Because WEAC has been particularly influential regarding a key component of compensation — public school health insurance — the remainder of this section focuses on that organization.

WEAC and Public School Health Insurance

The Wisconsin Education Association Council (WEAC) was begun as an educational organization in 1853 with school teachers and administrators as its members. Following the passage of collective bargaining, WEAC evolved into a pro-active union representing its educator members in public policy and labor interests.[5]

As stated previously, compensation is comprised of salary and benefits of which health insurance is key. Prior to 1970, most school districts provided teachers with group health insurance administered by various health insurance organizations. Group health insurance coverage is generally available for organizations such as school districts that have at least ten employees. At times employees expressed a desire to investigate options relating to their health insurance coverage in terms of finding whether better service at a better price was possible. To investigate these options, attempts were made to take the insurance plan out for bid. In order for potential insurers to make a proper bid they needed to know not only the size and demographics of the group, but also the plan's provisions or types of services to be covered. For smaller groups, such as those with fewer than 50 or 100 employees, the plans could be community or pool-rated, based simply on the ages and gender of the employees. Larger groups typically are experience rated and also require the history of medical claims. This information about the group is required so that potential insurers can assess the risk of insuring the district and price that risk accordingly based on expected medical claims. Unfortunately, these districts found themselves stymied by some of the current insuring organizations' reluctance or inability to provide claims history.[6]

As a result, the chances of coming to an agreement without having to go to arbitration or mediation became limited because of the uniqueness of health insurance policies from company to company. A potential solution was found by WEAC creating its own insurance company. The Wisconsin Education Association, Inc. (WEA), a not-for-profit corporation, was established as a result of a special act of the Wisconsin legislature.[7] Its principal functions are real estate ownership and trustee appointments. In 1970, a holding company was formed by WEAC that created the WEA Insurance Group. Affiliates of this holding company include the WEA Insurance Trust, the WEA Tax Sheltered Annuity Trust, and the WEAC Member Benefit Trust.

The function of the WEA Insurance Trust is to sponsor group insurance plans such as health, life, long-term disability, dental, and long-term care for public school districts. These plans are subject to bargaining between local unions and school districts. It was organized under the assumption it was an ERISA-regulated employee welfare plan

and not subject to state regulation. However, in 1984 the US Labor Department reversed its earlier ruling regarding the Trust's ERISA status.[8]

In order to maintain the WEA Insurance Trust operations, the WEA Insurance Corporation (WEAIC), a stock life insurance company, was incorporated in 1985 as an affiliate of a holding company with WEA Insurance Trust as its shareholder. While WEA, Inc. lost its ERISA status, WEAIC has remained tax-exempt as a voluntary employee's beneficiary association under Internal Revenue Code 501c-9.[9]

Of course, school districts are free to take their health benefit plans out for bid, subject to union negotiation as explained above. In fact, state law requires that if a school district desires changing its health insurance carrier, it is required to *solicit* sealed bids.[10] Of course, nothing is said about requiring the evaluation of any bids that are received.

The School District Management

The public school system in Wisconsin is organized into 426 districts. The geographical boundaries of districts may or may not coincide with county borders. The districts are managed by school boards that are typically composed of three to eleven elected members. The size of the board is dependent on the size of the district's school enrollment. The school boards are responsible for the overall management of the district. In this case, overall management means having the "possession, care, control, and management of school property and affairs of the school district." The affairs of the district are broad and include determining the tax necessary for the operation of the district. A school district, through collective bargaining with the teachers' union representing its teachers, establishes working conditions and wage and benefit compensation.[11]

In addition to the 426 districts, there are twelve Cooperative Educational Service Agencies (CESA) that contract with school districts to provide and coordinate certain services and teach special classes for districts that have particular needs. CESAs were created by the state to serve educational needs in all areas of Wisconsin by serving as a link both between school districts and between school districts and the state.[12] A CESA is not a state agency but is a governmental subdivision.[13] Eighty percent of the services provided are general instruction, special education, operating services, and vocational programs. Special education of disabled students is the service CESAs most often provide schools.

Each CESA is composed of a geographical collection of school districts. A CESA is overseen by a Board of Control consisting of members of the respective school boards of the districts included in the CESA. For example, CESA #2 includes seven counties and is comprised of 75 school districts. CESA #2 has an eleven member Board of Control. Each member of the Board of Control is a member of the school board in his or her school district.

Similar to the school boards, the Board of Control sets policies, authorizes expenditures of all money, approves service contracts and appoints an Agency Administrator.

Clearly, one of the key aspects of "operation" is the amount of compensation in the form of salary and benefits of the district's teaching staff. While the state legislature determines the aggregate percentage of increase in compensation, it is the school board that determines how it is allocated. Because teachers are unionized, these decisions are a part of the collective bargaining system regarding teacher contracts and are subject to negotiation.

The responsibilities of the school board and the Boards of Control are broad and complex. They must stay current and informed about school laws, education policy, legislative activity, and employee relations. There are organizations available to assist the school boards and help ensure they are aware of those things impacting the management of the school district. One of the resources available to them is the Wisconsin Association of School Boards (WASB), a non-profit membership organization that provides services to aid in each of the areas of responsibility listed above.

Founded in 1921 as the Wisconsin Association of High Schools and Graded School Boards, WASB has evolved into an organization providing a wide range of services. Of particular note as regards this paper are the services related to employee relations and collective bargaining. The service may be limited to answering questions or be more comprehensive, such as representing the school board in contract administration, collective bargaining, mediation, or arbitration with teaching and support staff.[14]

Suppliers of Health Insurance to Public School Teachers

Public school districts in Wisconsin obtain group health insurance from private organizations licensed as insurers by the state. The insurers or carriers of this insurance provide various types of coverage that include: indemnity plans that reimburse insured medical costs from any qualified health provider; preferred provider organizations (PPO) that include health care providers that offer services at a discounted rate; or prepaid plans such as health maintenance organizations (HMO). These organizations may offer each of these types of coverages through affiliate companies, if they are a holding company, or through their company product lines.

Table 1 presents the distribution of the primary public school health insurance carriers in Wisconsin. Below is a brief description of the four carriers that offer this coverage to the most districts.

TABLE 1 WISCONSIN PUBLIC SCHOOL HEALTH INSURANCE CARRIERS 1999

Carrier	# Districts	% Districts
WEA	362	85.0%
BCBSUW	23	5.4%
WPS	8	1.9%
Humana	6	1.4%
Security	5	1.2%
Sound	3	0.7%
Other	19	4.4%
TOTAL	*426*	*100.0%*

a) WEA Insurance Corporation

The WEA Insurance Corporation (WEAIC) was incorporated in 1985 as a stock health insurance organization. It began offering group health insurance in 1970 as the WEA Insurance Trust (WEAIT) and became a stock company after losing its status as an ERISA-regulated employee welfare plan. Its stock is owned by WEAIT. Further description of the origin of WEAIT is provided in the section of this report entitled "WEAC and Public School Health Insurance."

The WEAIC's group insurance plans include life, health, dental, long-term disability, and long-term care. It currently provides group health insurance to approximately 360 of the 426 school districts. Its target market for group health insurance is to provide it to school districts that have at least one of their unions affiliated with the Wisconsin Educational Association Council. In 1999 it covered 7.4% of the total group accident and health market in Wisconsin. While WEAIC incurred a net loss from operations in 1999 of $4,555,000, WEAIC's surplus has increased 55% from $100,957,000 on December 31, 1995 to $156,986,000 on December 31, 1999.[15] In 1999, WEAIC's loss ratio, the ratio of losses to premiums, was 97%.[16]

b) Blue Cross and Blue Shield United of Wisconsin.

The history of Blue Cross and Blue Shield finds its beginning in provision of health insurance for the teaching profession. Blue Cross' origin can be traced to Dallas in late 1929 when Baylor University agreed to provide 1,500 teachers up to twenty-one days of hospital care per year for $6 person. The American Hospital Association (AHA) while giving their approval for insurance covering hospital charges was clear they did not condone infringing on the "domain of private practitioners." Methods of paying for physician services began to appear. In 1939, the California Physicians Service was introduced, providing coverage for home and hospital physician visits. Finally, in 1942, the American Medical Association (AMA) began laying a foundation for what would eventually become Blue Shield.[17]

Many subscribers had coverage in both Blue Cross and in Blue Shield. Over time, after World War II, the companies began to establish close working relationships. In some geographic areas, one company would provide administrative services for the other. In 1982, a complete merger between the Blue Cross Association and the National Association of Blue Shield Plans resulted in the creation of Blue Cross and Blue Shield.[18] While a few states are still served by separate Blue Cross and Blue Shield plans, a single joint Blue Cross and Blue Shield plan is typical. Some states do have more than one joint plan serving specific geographic areas.

In Wisconsin, the establishment of Blue Cross and Blue Shield United of Wisconsin (BCBSUW) in 1980 was the result of a merger between Associated Hospital Service, Inc., and Surgical Care. It is a licensee of Blue Cross and Blue Shield and was recently approved by the Wisconsin Insurance Commissioner (March 2000) to convert from a not-for-profit hospital service insurance corporation to a for-profit health insurance company.

According to rankings by the Wisconsin Office of the Insurance Commissioner, BCBSUW has a 6.2% market share of group accident and health insurance, placing it 5th among 291 insurers writing this line of insurance.[19] Eight school districts have coverage with BCBSUW. This insurer offers a wide range of health insurance products including medical, dental, and prescription drugs for both small and large employers. While its surplus growth by line of business is not known, its overall surplus has fallen from $229,685,093 on December 31, 1995 to $142,424,134 on December 31, 1999, a decrease of thirty-eight percent. What is known about BCBSUW's group accident and health business in 1999 is this line of business incurred a loss ratio of 95%.[20]

c) Wisconsin Physician Service Insurance Corporation

The Wisconsin Physician Service Insurance Corporation (WPS) is the third most prevalent health insurer of school districts in Wisconsin covering eight districts or about 2%. WPS began operations in 1946 as an organization started by physicians through the State Medical Society of Wisconsin. It became a non-profit service insurance corporation in 1977. It offers mainly indemnity plans and preferred provider type managed care products. In 1999, it was the 14th largest in terms of group accident and health insurance market share among the 291 insurers writing this line of business in Wisconsin.[21]

WPS product lines include individual and group health insurance, managed care plans, and alternative delivery products all provided under a variety of funding options. Its special division, InsurTec, provides exclusive service to self-funded customers.

In 1999, WPS reported an increase in surplus of fourteen percent. The increase is a result of a net investment gain that more than covered the underwriting loss. The results by line of business are not known but the loss ratio was 86%.[22]

d) Humana Wisconsin Health Organization Insurance Corporation

The Humana Wisconsin Health Organization Insurance Corporation (Humana) is the fourth most prevalent provider of health insurance to public school districts in Wisconsin, covering six districts or about 1.5% of the 426 districts. Humana began its operations in 1961 as a nursing home called Heritage House. By 1968, through an initial public offering, the business had expanded to seven nursing homes. Also in 1968, the first of its 80 hospitals was purchased. In 1984, Humana developed health insurance products that it continues to sell to employers. It is one of the nation's largest publicly traded managed care companies.[23] Humana offers coordinated health care through health maintenance organizations, preferred provider organizations, and point of service plans.

Humana's Wisconsin operations commenced in May 1985 as Wisconsin Health Organization Insurance Corporation (WHO) as a wholly owned subsidiary of CareNetwork, Inc. Humana, Inc. acquired WHO in 1994. In 1999, Humana controlled 3.5% of the Wisconsin group accident and health business. Humana's loss ratio in 1999 was 90%.[24]

Section III: Does WEA Insurance Corporation Exercise Market Power?

As noted previously, there is significant variation in the price paid for health insurance for teachers by different Wisconsin school districts. There are a number of different reasons why the price of health insurance paid by districts may vary. Reasons may include differences in the policy provisions of the insuring agreements used by different districts; variation in the risk characteristics of the individuals insured; and, differences in the operating characteristics of insurers — including administrative costs, interest earnings, and profit margins. In the case of public school teachers health insurance in Wisconsin, an additional possible explanation is that WEA Insurance Corporation is able to charge an above market price because of its unique position at the contract negotiation table. Following a discussion of the coverage characteristics of the policies covering Wisconsin's public school teachers, an empirical analysis of the price determinants for those policies is presented.

Insurance Coverage Generosity

Group health insurance policies are contracts between insurance companies and the purchasers of the policies. Typically the purchasers are businesses that obtain health insurance coverage for their employee groups. There is considerable variation that exists between different health insurance policies.

One important way in which policies differ is in the breadth of health care providers for whose services it will provide payment. At one extreme are policies that will provide indemnification to the insured for services provided by any qualified health care provider. These policies do not restrict the insured's choice of doctor as they indemnify the insured for the cost of medical service regardless of the physician chosen to provide the service. In contrast, other health insurance policies provide health maintenance organization (HMO) coverage. Policies of this type require that the insurer provide health care services to the insured population, rather than provide financial indemnification. As HMOs contract with only certain providers to deliver health care services, they effectively limit the range of health care providers from which an insured can receive medical care without personally incurring the cost of that care. Other things equal, insurance policies that do not limit the insured's choice of health care provider are of greater value to the insured as they provide greater choice to the insured when seeking medical care. In Wisconsin and nationally, a significant portion of the population has HMO-type coverage. School districts in Wisconsin rarely provide group health insurance that restricts physician choice, although some districts do provide coverage that requires greater cost sharing when doctors outside of a network are used.

Another way to compare the generosity of health insurance plans is by their cost sharing provisions. Health insurance policies typically contain deductibles and coinsurance provisions. A policy may contain an individual deductible, a family deductible, or both. The deductible is the amount an insured must pay of a loss before the insurer will provide indemnification for amounts above the deductible. Typically deductibles apply to policy years, rather than episodes of illness. Therefore, once an insured has paid the deductible amount for health care during the policy year, the deductible is considered satisfied for the remainder of the year. Individual deductibles represent the amount of deductible applicable to each individual in a family. Satisfaction of the deductible provision by one family member does not relieve any other family member from having to satisfy the deductible provision himself or herself. However, a policy that contains a family deductible, in addition to the individual deductible, considers the deductible requirement satisfied for all family members once the family has paid the amount of the family deductible in medical expenses for any combination of members in the family.

The coinsurance clause in a policy indicates what percentage of the loss above the deductible the insurer will pay. Typically policies that contain a coinsurance clause also contain a stop-loss provision. The stop-loss is the maximum amount an insured needs to pay out-of-pocket for a loss. The portion of a loss greater than the stop-loss is paid in full by the health insurance company until the policy limit is exhausted.

Appendix A reports the average per person and family deductibles, average coinsurance rate, and average stop-loss limit for health insurance coverage in Wisconsin school districts during the 1999-2000 year. The Appendix also identifies the insurer. Information is not available in some cases because it was not supplied by the school district. The data show that the most common per person deductible is $100. Family deductibles of $200 and $300 are common. The highest deductibles, $500 per person and $1000 family, are in Hortonville. Coinsurance rates were often not supplied by the school districts. The rates for those that did supply this information were typically 10% or 20%.[25] Many districts also fail to report out-of-pocket maximums. These maximums generally range from $250 to $1000. The highest maximums, $12,500 per person and $12,500 family, are in Beloit.

While deductibles, coinsurance rates, and stop-loss limits are important measures of the richness of a health insurance policy, they are not complete measures. A variety of different provisions within a policy affect how extensively it insures health risks. Examples are managed care provisions, which require such things as pre-admission hospital certification and second surgical opinions. Exclusions within the policy also affect the depth of coverage provided.

Assuming that the insurance market is competitive, a comparison of the price of insurance coverage is another way to compare the richness of coverage. A difficulty with using price as a measure of the depth of insurance coverage is that the price of insurance reflects both the insurer's anticipated loss costs and the administrative costs of the insurance company. Further, anticipated loss costs are a function of both the richness of coverage provided by the policy and the loss characteristics of the individuals insured. To the degree the administrative costs of insurers are comparable and the health risks of the individuals insured are similar, price is a meaningful way to gauge the generosity of coverage provided in the insurance contract.

Clearly, the price of insurance depends on the terms of the insurance contract, the risk characteristics of those insured, and the operating characteristics of the insurer. Of greatest interest in the current study is whether or not different insurers, in particular the WEA Insurance Corporation, charge more for coverage than other insurers operating in the market. To the extent the insurers operating in the market are offering a comparable product to comparable risk

groups, a statistically significant, higher price charged by the WEA Insurance Corporation is consistent with, but not proof of, the exercise of market power. The primary hypothesis being tested by the following empirical model is whether WEA Insurance Corporation charges more for insurance coverage than other insurers in this market. This is a partial test of the theory that the WEA Insurance Corporation derives market power from its affiliation with the WEA teachers union.

To test this hypothesis, data from a number of sources were obtained and analyzed. The sources of the data are reported in Table 2. The data are from the 1998-1999 year.

TABLE 2 DATA SOURCES

Insurance Premium	WASB School District Settlement Database
State Pool Premium	*It's Your Choice 2000* Publisher: Department of Employee Trust Funds
FTE	DPI Database
WEA	WASB School District Settlement Database
WPS	WASB School District Settlement Database
BC/BS	WASB School District Settlement Database
HUMANA	WASB School District Settlement Database
Deductible	WASB School District Settlement Database
Average Age	DPI Database
Percent Female	DPI Database
Percent White	DPI Database
Percent Black	DPI Database
Percent Hispanic	DPI Database
Family Coverage	WASB School District Settlement Database

Regression analysis techniques were employed to study the data. A model of the following form was estimated:

$$Price_i = a_0 + a_1(Demographic\ Characteristics\ of\ Insureds)_i + a_2(Policy\ Characteristics)_i + a_3(Price\ of\ Health\ Care)_i + a_4\ (Insurers)_i + e_i,$$

where $Price_i$ is the total cost of health insurance paid by or on behalf of a school district employee covered under the group health insurance plan providing coverage for teachers in district i. The price used in the analysis is the sum of the costs paid by the district and the employee for health insurance covering the employee. Most districts make health insurance available to both the individual employee as well as the employee's family. Insurance companies typically charge districts less for individual coverage than for family coverage. Our observations include both individual and family policies.

The model's intercept term is a_0. The terms a_1, a_2, a_3, and a_4 represent parameter coefficients. The error term is e_i.

Demographic (Risk) Characteristics

Demographic characteristics — including age, gender and race — have been found in prior studies by health economists to be important determinants of health insurance cost. See for instance, Taylor and Wilensky,[26] Phelps,[27] and Browne.[28] Empirical evidence has consistently shown that as one ages health care expenses increase. This is not surprising as the effects of aging necessitate the need for medical care. Similarly, studies have shown that females make greater use of the health care system than males. This is partly, though not completely, explained by the costs of pregnancy. For the purposes of the empirical model estimation, the age variable is defined as the average age of district employees covered under the district health insurance plan. Differences in morbidity or possibly differences

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in attitude toward health care services may explain the discrepancies in average health care costs observed across races. In the analysis we include a variable to account for differences by gender in health care usage. This variable is defined as the percentage of district full time equivalent (FTE) employees that is female. Similarly, in our analysis we include variables to account for differences in health care expense by race. Individuals in our sample were coded as being White, Black, Hispanic, or Other. Finally, we include in the analysis a variable to proxy the size of the district. The variable that we use is the number of FTEs employed by the district.

Policy Characteristics

While all of the school districts included in our database provided health insurance during the 1998-1999 school year, not all provided the same depth of coverage. Health insurance policies, which are complex legal agreements, can differ in many ways. One way in which policies differ is in the types of losses that they cover. For instance, some policies provide coverage of organ transplants while others do not. Similarly, some cover prescription drug expenses and some do not. These are but two examples.

A second way in which policies differ is in their cost-sharing provisions. Policies may contain different deductibles, coinsurance rates, stop-loss provisions, or policy limits. Differences in these provisions can lead to significant differences in indemnification following an insured loss.

In addition to coverage differences and differences in cost-sharing provisions, policies also differ in whom they cover. Some policies obtained through employment provide coverage for just the employee; others provide coverage for the employee and his or her dependents.

To account for the differences in insurance policies held by school district employees, two variables are included in the analysis. The first is the deductible. This variable proxies the degree of cost-sharing the policy requires. Some policies in the analysis did not require the payment of a deductible. In these cases the value of the variable was set to 0. In our sample the most common health insurance deductible for school district employees was $100. The

TABLE 3 VARIATION IN AVERAGE HEALTH CARE COSTS IN WISCONSIN BY COUNTY EXAMPLES FROM 1999[29]

Procedure or Diagnosis	County	Average Cost
Spine: Injection of Anesthetic:	***Statewide***	***$601.77***
	Barron	755.91
	Calumet	366.51
	Dane	820.25
	Forest	274.04
	Lincoln	278.28
	Milwaukee	691.68
Total Hip Replacement:	***Statewide***	***$18,403.93***
	Barron	16,739.28
	Calumet	15,899.48
	Dane	16,250.09
	Forest	15,232.43
	Lincoln	15,258.80
	Milwaukee	22,053.86

second variable that we include is an indicator variable specifying whether the health insurance protection extended to family members. Our expectation is that the health insurance premium is negatively associated with the level of the deductible. We anticipate a positive relationship between the health insurance policy premium and the indicator variable for family coverage.

While we do not control directly for other differences in insurance coverage, such as variation in the breadth of coverage, that exist across districts, we do include a series of categorical variables that correspond to each insurer writing health insurance coverage in the state for school districts. To the extent each of the insurers sells predominantly the same insurance policy to the different districts that it serves, this group of categorical variables will control for differences in policy design across insurers.

Price of Health Care

The cost of health care services varies significantly across Wisconsin. Table 3 lists average costs in several Wisconsin counties in 1999 for a sample of medical services. The table shows that costs for health care services in the state can vary by over 50% between counties. As a consequence of the variation in health care charges, the premium for comparable health insurance will be different in different parts of the state. To account for variation in health care costs and their influence on the premiums paid by the districts for health insurance coverage, a proxy for health insurance cost is included in the analysis. The premiums for the state employee health insurance program operated by the Wisconsin Department of Employee Trust Funds are used to proxy the price of health care services. The state employee plan publishes the insurance premium for the different plans available to state employees each year. The premiums differ by county. We use the premium for the least expensive insurance policy available through the state plan in each county as our proxy for the cost of health care services. For our study, a school district is assigned the premium of the county where the district's main administrative office is located. We anticipate a positive relationship between the premium level of the district plan and our proxy for the price of health care services.

Insurers

While the vast majority of group health insurance covering public school teachers in Wisconsin is written by the WEA Insurance Corporation, there are several other insurers active in this market as well. They include Blue Cross and Blue Shield United of Wisconsin, WPS, Humana, as well as others. The premiums charged by different insurers may vary if the companies provide different levels of insurance coverage. For instance, the policies underwritten by one company may cover types of losses that policies underwritten by other companies do not.

A second reason premiums may differ is that the administrative expenses incurred by insurers may differ. Administrative expenses include those amounts that insurers pay as business expenses, as opposed to those amounts paid to compensate insureds for losses. Examples of administrative expenses include commissions paid to agents, taxes, salaries of office personnel, and the costs of adjudicating claims.

A third reason that premiums may differ is that companies may add different levels of profit margin into their rates. In a competitive insurance market insurers do not have the ability to build excessive profit margins into their rates. Doing so would result in a loss of business. As previously discussed, however, the market for group health insurance for teachers in Wisconsin may not be truly competitive. One insurer, the WEA Insurance Corporation, writes roughly 85% of the insurance in this market. While this is by no means proof that the market is not competitive, this is highly unusual for an insurance market. Since the group health insurance provided to teachers in a district is an item of contract negotiation between the teachers union and the school district, and the WEA Insurance Corporation is affiliated with the largest teachers union in Wisconsin, concern with whether the market is operating in a competitive manner arises. The fact that school districts do not put their insurance programs out to bid on a regular basis further calls into question whether the market for teachers' health insurance is competitive.

In order to control for cost differences across insurers — whether due to insurance coverage disparities, expense differences, or profit-loading differences — a series of categorical variables corresponding to each of the major health insurers in the market is included in the analysis. These insurers are WEA, Blue Cross and Blue Shield, WPS, and Humana. A fifth variable, representing all other insurers, is also included in the analysis. For each observation in the sample, the variable representing an insurer takes on the value 1 if the district is insured with that insurance compa-

ny, and the value 0 otherwise. A positive and statistically significant relationship between an insurer variable and the premium would indicate that the particular insurer charges a higher premium rate than other insurers in the market. A negative and statistically significant relationship would be consistent with that insurer charging less than other insurers in the market. Of particular interest in this analysis is whether the premiums charged by WEA Insurance Corporation differ significantly from other insurers. A negative relationship would be consistent with the hypothesis that WEA Insurance Corporation has achieved its dominant market position by offering a lower priced product. A positive relationship would be consistent with, although not prove, that WEA Insurance Corporation has achieved market power that allows it to add excess profit margins into its rates. An alternative explanation for a positive relationship would be that WEA Insurance Corporation provides a higher level of service to its customer base than other insurers and that this results in higher administrative expenses.

Empirical Results

The regression method of ordinary least squares was used to estimate the test equation. Log transformations of the dependent variable, premiums, and the state pool premium price were used to account for non-linearity in the data. The R^2 for the model is .94. This indicates that the model does an excellent job in explaining the variation in health insurance premiums across districts. A number of the variables are statistically significant and signed as predicted. Summary statistics for the variables used in the analysis appear in Table 4. Table 5 reports the empirical results of the analysis.

TABLE 4 DESCRIPTIVE STATISTICS

Variable	Mean	Standard Deviation	Minimum	Maximum
Number of FTEs	138.398	389.890	7.480	5853.04
State Pool Premium	402.506	176.299	164.500	772.900
District Premium	443.400	179.423	163.290	817.730
Deductible	154.586	119.586	0	1000.00
Family Coverage (1 if family policy, otherwise 0)	0.501	0.500	0	1.000
WEA (1 if WEA, otherwise 0)	0.759	0.428	0	1.000
WPS (1 if WPS, otherwise 0)	0.036	0.185	0	1.000
BCBS (1 if BCBS, otherwise 0)	0.083	0.276	0	1.000
HUMANA (1 if Humana, otherwise 0)	0.020	0.139	0	1.000
OTHRCAR (1 if another insurer, otherwise 0)	0.103	0.304	0	1.000
Average age of FTEs	45.740	1.649	38.063	50.214
Percent of FTEs that are Male	0.334	0.071	0.132	0.553
Percent of FTEs that are Female	0.666	0.071	0.447	1.000
Percent of FTEs that are White	0.990	0.039	0.558	1.000
Percent of FTEs that are Black	0.003	0.022	0	0.305
Percent of FTEs that are Hispanic	0.002	0.006	0	0.055
Percent of FTEs not White, Black, or Hispanic	0.004	0.028	0	0.442

TABLE 5 ANALYSIS OF HEALTH INSURANCE PREMIUM VARIATION
(N=507, R^2=.938)

Variable	Parameter Estimate	Standard Error	Pr > |t|
Intercept	3.135	0.397	<.001
State Pool Premium	0.238	0.053	<.001
FTE	-2.30 E-7	2.81 E-5	0.994
WEA	0.081	0.016	<.001
WPS	0.005	0.030	0.878
BCBS	-0.059	0.023	0.012
HUMANA	0.024	0.038	0.534
Deductible	4.48 E-5	4.80 E-5	0.350
Average Age	0.017	0.003	<.001
Percent Female	0.113	0.069	0.106
Percent White	0.267	0.174	0.126
Percent Black	1.422	0.534	0.008
Percent Hispanic	1.367	1.023	0.182
Family Coverage	0.593	0.050	<.001

The cost of health care services, as proxied by the state employee health plan premium, is positively signed and statistically significant. As anticipated, the cost of health care services in different counties is highly correlated with the insurance premium paid by the districts for group coverage.

Of the two variables included in the analysis to control for differences in insurance policy coverage, only the indicator for whether or not the premium is applicable to family coverage is statistically significant. This variable is positive, which is consistent with our expectation that insurers providing group coverage charge more for family coverage than individual coverage. The deductible level did not prove to be statistically significant. This may be because there was little variation in the value of this variable. In general, insurance policies covering public school teachers have low deductibles.

Several of the demographic variables included in the analysis are significant. The average age variable is positive and statistically significant. This provides support for the hypothesis that the cost of insurance coverage increases with the average age of the group insured. The percent of the district workforce that is female shows a marginally significant relationship with the district insurance premium. As expected the relationship is positive. This is consistent with prior empirical studies of health insurance demand that have found that average health care costs incurred by females exceed those of males. Our findings also suggest that the racial composition of the insurance pool influences the price of insurance coverage.

Of the insurer variables, those representing Blue Cross and Blue Shield and the WEA Insurance Corporation are significant. The analysis suggests that the districts purchasing insurance coverage from Blue Cross and Blue Shield pay a statistically significant and lower price for insurance than other districts. The lower price charged by Blue Cross and Blue Shield may be due to a number of different factors. Explanations for Blue Cross and Blue Shields' ability to offer insurance at a price less than others in the market include the possibilities that its health insurance policies provide less broad coverage and that it has achieved operating efficiencies that other insurers have not.

The indicator variable for the WEA Insurance Corporation is positively correlated with the price of insurance coverage. This suggests that those districts that purchase their insurance from the WEA Insurance Corporation pay a higher price than districts that do not. The analysis does not indicate why the WEA Insurance Corporation charges a higher rate for coverage. One possible explanation is that its insurance product is more service intensive, thus requiring a greater expenditure on administrative services. Another explanation is that the process of contract negotiation with school districts allows the WEA Insurance Corporation the opportunity to exert influence over the placement of the group health insurance. This may effectively stifle competition and permit the WEA Insurance Corporation to pad its premiums with excessive profit loadings.

Income data from the Office of the Commissioner of Insurance indicates that WEA Insurance Corporation has been more profitable than its major competitors over the last five years.[30] Table 6 reports that in all years but 1999,

TABLE 6 HEALTH INSURER PROFITABILITY, 1995-1999

Company	Year	Net Income (Thousands)	Net Income as a % of Assets	Net Income as a % of Surplus
WEA[31]	1995	$18,966	9.90%	18.79%
	1996	$12,475	5.74%	10.66%
	1997	$7,035	2.85%	5.57%
	1998	$10,774	3.75%	7.13%
	1999	$-4,355	-1.40%	-2.77%
	Total	$44,895	4.17%	7.88%
WPS	1995	$-5,586	-2.64%	-5.52%
	1996	$-19,593	-10.83%	-23.76%
	1997	$-22,017	-14.12%	-35.01%
	1998	$-4,696	-3.20%	-8.06%
	1999	$6,461	4.57%	9.73%
	Total	$-45,431	-5.24%	-12.52%
BCBSUW	1995	$26,172	7.34%	11.39%
	1996	$4,358	1.17%	1.73%
	1997	$-4,772	-1.36%	-2.09%
	1998	$1,843	0.53%	0.93%
	1999	$-22,226	-8.09%	-15.61%
	Total	$5,375	-0.08%	-0.73%
Humana	1995	$1,221	2.36%	11.10%
	1996	$1,791	3.85%	13.70%
	1997	$-226	-0.50%	-1.99%
	1998	$-414	-0.94%	-3.06%
	1999	$-3,387	-7.87%	-26.21%
	Total	$-1,015	-0.62%	-1.29%

WEA Insurance Corporation earned more income as a percent of assets than did the other major writers of health insurance plans for school districts. In 1999, a particularly bad year for the health insurance industry, WEA Insurance Corporation lost money. The losses it incurred, however, were less than those incurred by each of its primary competitors with the exception of WPS, to which it ranked second both in terms of net income as a percent of assets and net income as a percent of surplus. In 1996, WEA Insurance Corporation's net income as a percent of surplus was second to that of Humana. In all other years it ranked highest by net income as a percent of surplus. Over the full five-year period WEA Insurance Corporation's net income as a percent of assets was 4.17%, and as a percent of surplus was 7.88%. Blue Cross and Blue Shield, which did second best, earned net income as a percent of assets of negative 0.08%, and net income as a percent of surplus of negative 0.73%. Over this period of time the WEA Insurance Corporation achieved dramatically higher rates of profitability than its competitors.

Section IV: Insuring Public School Teachers Through the State Employee Pool

The preceding analysis of group health insurance prices indicates that the premium rates paid by school districts depends not only on the risk characteristics of the group being insured, but also on the insurer writing the coverage. The analysis suggests that premium rates charged by the WEA Insurance Corporation, a company that writes 85% of the health insurance on teachers in the state and is affiliated with the teachers' union, are higher than those of other insurers. The contention that the school district and teacher union negotiation process over health insurance provides significant unfair advantage to the WEA Insurance Corporation relative to other insurers cannot be rejected. The WEAIT, which controls the WEA Insurance Corporation, is the only health insurer to sit at the table when a school district and teachers' union negotiate a contract. Interestingly, the WEA Insurance Corporation does not write health insurance coverage on teachers in any district in which the teachers are organized under the Wisconsin Federation of Teachers, the rival teachers' union. Taken together, anecdotal stories from school district representatives, the empirical results of the preceding data analysis, and the relative profitability of the WEA Insurance Corporation raise the concern that the WEA Insurance Corporation is exploiting its position as an insider in the contract negotiation process to dominate this niche market. One can only wonder what percentage of the market for public school teachers' health insurance Blue Cross and Blue Shield, WPS, or any other health insurer would hold if it held the advantage that WEA Insurance Corporation does of having an affiliated organization present at the contract negotiation table.

The ability of the union-district contract negotiation process to result in an equitable determination of health insurance coverage for teachers is cast into doubt by this study. The unique position that the WEA Insurance Corporation, as an affiliate of WEAIT, holds relative to other health insurers competing for the teachers' health insurance business appears to provide it unparalleled advantage in the negotiation that occurs over health insurance coverage. Without a change in the rules governing the negotiation of health insurance benefits, there is little reason to believe that a competitive market for teachers' health insurance can possibly exist in the future.

If the WEA Insurance Corporation has achieved monopoly power, the effects may be detrimental to Wisconsin's taxpayers, Wisconsin's health insurance industry, and possibly to Wisconsin's teachers as well. Economic theory holds that monopolization of a market leads to higher prices and less innovation in product design. The empirical findings from the preceding analysis of premium rates lend credence to this theory. After controlling for variations in the price of health care services, risk characteristics of insureds, and differences in policy design, WEA Insurance Corporation charges premiums that are greater than those of other health insurers providing coverage to teachers in the state. The higher cost premiums, relative to those that would exist in a competitive market, must be borne either by the taxpayers or by the teachers, through implicit offsets in salary or other benefits.

Changes in the process by which the health insurance coverage of public school teachers is determined could be adopted by school districts to inject a greater degree of competition into this market. One potential reform would be to prohibit any union representing teachers in a district from being affiliated with an insurer providing benefits to the teachers the union represents. While this reform is appealing in that it levels the playing field for all insurers, a serious drawback is that many teachers are currently insured with WEA Insurance Corporation and are presumably happy with their coverage. A prohibition of this type would result in the teachers in a district having to choose between changing the union that represents them and changing their health insurance coverage. Another drawback to this reform is that it does nothing to reduce anti-competitive behaviors that others besides the teachers union may introduce into the process of choosing a health insurance plan. While this study has focused primarily on the WEA Insurance Corporation, the possibility exists that a variety of different parties could exercise influence that could lead to an adverse placement of a district's insurance. This reform would negate any advantage the WEA Insurance Corporation might have, but would not address the potential of other parties to direct inappropriately the placement of the insurance.

Another potential reform is for school districts to join the state health insurance pool for Wisconsin public employers. The Employee Fund Trust (EFT), a subdivision of the Wisconsin Retirement System (WRS), operates this pool as well as the state employee health insurance pool. State employees throughout the state receive their health insurance coverage through the latter pool.

The operation of these health insurance plans is relatively straightforward. In many ways it creates a market for health insurance similar to that envisioned by the Clinton health insurance proposal. That is, the plan's guidelines establish both a supply side and demand side for a health insurance market. To establish the supply side of the market, the EFT each year collects bids from health insurers whose policies must meet certain specified criteria estab-

lished by the state. The policies may provide traditional indemnity coverage, PPO coverage, or HMO coverage. The criteria established by the state ensure that the policies provide extensive coverage. The insurers also submit to the state the premiums they will charge for the policies in each of the counties in Wisconsin where they wish to make the coverage available. The state ensures that in each county there are at least two plans offered.

To establish the demand side of the market, employees in each county are allowed to choose from the policies available to them through the plan. At least one of the plans, the "Standard Plan," offers indemnity coverage. The state pays the "lesser of 90% of the Standard Plan or 105% of the lowest-cost qualifying HMO in each county."[32] The employee pays any difference in cost between the lowest priced plan and the one selected by the employee, if an employee selects a more expensive plan.

Allowing public school teachers to choose from a variety of different health insurance plans through the state pool or a similar mechanism would be a significant departure from the current method by which insurance coverage is determined. Since this would be a marked change from the process of district-union negotiation of benefits that currently exists, the question arises whether this would violate the collective bargaining process by removing an important element of benefit compensation from that process. While this would clearly significantly affect the negotiation of health insurance benefits, districts and unions would still need to negotiate the dollar amount that districts would pay toward the cost of the teachers' health insurance.

There are important precedents for the inclusion of public school teachers in state operated employee benefit programs. One school district, Monona Grove, currently does participate in the Wisconsin public employers' group health insurance plan. In addition, the Wisconsin Retirement System (WRS) operates the retirement program for state employees and *public school teachers* in Wisconsin.[33]

Prior to 1975, the pension coverage of public school teachers outside Milwaukee was administered by the State Teachers Retirement Board and within Milwaukee by the Milwaukee Teachers Annuity and Retirement Fund. The Wisconsin Retirement Fund oversaw the pension coverage of state employees and many municipal workers at that time. Chapter 280, Laws of 1975, established the Wisconsin Retirement System by merging the Wisconsin Retirement Fund, the State Teachers Retirement System, and the Milwaukee Teachers Retirement Fund. This law dictated "all rulemaking authority and the 'operational planning functions' of the merged boards to be transferred to the Employee Trust Fund Board." Current law requires that in addition to the state providing pension benefits to its employees through the Wisconsin Retirement System, all school districts must provide coverage through the system to their teachers. School districts are also allowed to provide pension coverage to their nonteaching personnel through the Wisconsin Retirement System.

The interests of teachers in the Wisconsin Retirement System are represented by the Teachers Retirement Board, which serves in a consultative capacity to the Employee Trust Fund Board. The Teachers Retirement Board's duties include appointing four of the twelve members of the Employee Trust Fund (ETF) Board. The board also makes decisions on administrative rules suggested by the ETF secretary pertaining to teacher participants.

If school district employees participated in the state health insurance pool, the advantage that the WEA Insurance Corporation holds over other health insurers in the competition for this business would no longer exist. Like other health insurers, the WEA Insurance Corporation would likely participate in the state plan by crafting competitive insurance coverage at competitive prices.

The difference in the cost of health insurance that the districts and teachers currently pay and what they would pay through the state employee pool is significant.[34] Both districts and employees would save on the cost of health insurance in many districts if coverage were obtained through the state pool, as employees in many districts pay a portion of the premium cost. Since premium charges are available from public sources, the potential savings are able to be calculated. The state employee pool premiums are published each year in the *It's Your Choice* guide provided to Wisconsin state employees. The Wisconsin Association of School Boards (WASB) compiles data on the health insurance premiums paid by the districts. The survey instrument that the WASB uses when collecting this information is contained in Appendix B.

Appendix C reports the total estimated savings (loss) a district would capture if it participated in the state employee health insurance pool, and the estimated savings per FTE.[35] A precise estimate of the savings that are possible through the state pool is difficult to determine because the number of employees choosing single coverage versus family coverage is not known. For the purposes of producing an estimate of the potential savings, the assumption is made that one-third of the employees choose single coverage and the remaining two-thirds choose family coverage. The savings estimates will be off to the extent the number of employees covered by the district health insur-

TABLE 7 DISTRICTS THAT WOULD LOSE THE MOST MONEY MOVING HEALTH COVERAGE TO THE STATE POOL

Rank	School District	Loss	Current Insurer
1	Janesville	$592,765	Humana
2	Superior	$544,272	WPS
3	Beloit	$296,038	1st Choice
4	Neenah	$274,414	BC/BS
5	Eau Claire	$156,619	Valley
6	Menominee Indian	$144,434	Humana
7	Chippewa Falls	$138,100	Wellmark
8	Monona Grove	$130,010	Various Insurers
9	Waunakee	$97,759	WPS
10	Hayward Community	$88,947	BC/BS

TABLE 8 DISTRICTS THAT WOULD SAVE THE MOST MONEY MOVING HEALTH COVERAGE TO THE STATE POOL

Rank	School District	Savings	Current Insurer
1	Milwaukee	$12,878,793	BC/BS
2	Green Bay	$3,185,168	HRM
3	Racine	$2,466,016	Wausau
4	Madison Metro	$2,454,364	WPS
5	Menominee Falls	$1,703,717	WEA
6	Fond du Lac	$658,585	WEA
7	Hamilton	$602,056	WPS
8	Elmbrook	$566,179	Employers
9	West Allis – West Milwaukee	$558,697	WEA
10	Franklin	$469,678	WEA

ance plan differs from the number of FTEs reported in the DPI database. The state employee pool premiums that are used in this analysis are those for the benefit year 1999-2000. Similarly, the districts' premiums are applicable to the 1999-2000 year.

Appendix C shows that some districts, such as Janesville and Superior, would wind up paying more for health insurance for their teachers if they had acquired coverage through the state employee pool. Table 7 reports the ten districts whose cost of health insurance would increase the most by joining the state pool. The table also reports the companies currently providing health insurer to employees of these districts. Interestingly, none of these districts are insured with the WEA Insurance Corporation, although some of the districts whose costs would increase are insured with the WEA Insurance Corporation.

Most districts would lower their health insurance costs if they participated in the state pool. Based on this assumption, the Madison Metropolitan School District would save $2,454,365 per year by transferring health insurance coverage of the teachers to the state pool. The Racine district would save $2,466,016 and the Green Bay district $3,185,168. Not surprisingly, the Milwaukee public school district, the state's largest district, would achieve the greatest savings, $12,878,794. Since not all districts reported the health insurance premiums they are paying to the WASB, estimated savings for many districts could not be calculated. Assuming that savings in those districts for which data are not available are equal to the average savings of those districts for which there are available data, the estimated savings for the state as a whole is $50,266,194.[38]

Table 8 reports the ten districts that would achieve the greatest savings, if they were to participate in the state pool. The table also reports the insurer providing coverage in each of these districts. WEA Insurance Corporation provides coverage in four of these districts. In the other six districts, other health insurers provide coverage. The table clearly shows that significant potential savings may be possible in districts currently insured with WEA Insurance Corporation, as well as in districts where other health insurers provide coverage.

There is insufficient basis in this study to conclude that the estimated savings reported for each of the school districts represents excess profits earned by the insurers. The estimated savings that a district could obtain through the state pool may be due to the insurer earning excess profits on the policy as a result of insufficient competition between insurers when the policy is written. The savings, however, may also be attributable to a disparity in the depth or quality of coverage obtainable through the state pool and that currently provided to the district's employees. The estimated savings may also be attributable to differences in anticipated health care costs between the employees in a particular district and the employees in the state pool.

The expense that the school districts would save by providing health insurance coverage through the state pool could either be returned to the taxpayers through a reduction in property taxes or used for another need. One strong argument that could be made is that the savings resulting from providing health insurance coverage through the state pool should accrue to the public school teachers in the form of higher wages or other employee benefits. The last column of Appendix C reports the amount of money by which teachers' salaries in each district could be increased, if the savings resulting from this change in health insurance procurement were given to the teachers in the form of higher wages. In some districts, where the savings from this change would be negative, teachers' salaries would be negatively impacted if this idea were implemented. In other districts, teachers would receive a significant pay increase. The per teacher increase would be $1,264 in Madison, $2,476 in Green

TABLE 9 DISTRICTS THAT WOULD SAVE THE MOST MONEY MOVING HEALTH COVERAGE TO THE STATE POOL ON A PER FTE BASIS

Rank	School District	Savings Per FTE	Current Insurer
1	Hamilton	$2,682	WPS
2	Glendale – River Hills	$2,573	WEA
3	Green Bay	$2,475	HRM
4	Greendale	$2,347	BC/BS
5	Sparta	$2,276	WPS
6	Milwaukee	$2,200	BC/BS
7	Drummond	$2,080	WEA
8	South Shore	$2,007	WEA
9	Mellen	$1,975	Sound
10	Hartland – Lakeside J3	$1,953	WEA

Bay, $1,810 in Racine, and $2,200 in Milwaukee. The average increase in salary for a teacher in the state would be $875.

Table 9 reports the ten districts that would be able to increase employee salaries by the greatest amount, if the savings from participating in the state pool were passed on to the personnel in the district. The greatest amount, $2,682, is in Hamilton. The table also reports the current insurer in each of these districts. WEA Insurance Corporation provides insurance in four of these districts.

Section V: Conclusion

The market for teachers' health insurance in Wisconsin is characterized by several traits. The health insurance is determined through the collective bargaining process. The health insurance plans provided by the districts are rarely put out to bid.[37] The WEA Insurance Corporation, an entity affiliated with the state's largest teachers union, provides insurance coverage to roughly 85% of the districts. The peculiarities of this market suggest that competition between insurers to write health insurance coverage is severely limited in most districts.

The current study reports the results of a statistical analysis that tested whether the WEA Insurance Corporation charges more for health insurance coverage than other insurers. The analysis controlled for various factors believed to be associated with the price of insurance coverage. The results suggest that the WEA Insurance Corporation does charge more for its insurance product than other insurers. Possible explanations for this finding are that the WEA Insurance Corporation provides more extensive insurance protection to those it insures, that it provides a higher level of service to its customers, and that it derives market power from its affiliation with the WEA.

Reform that would foster competition in the market for teachers' health insurance would serve the interests of Wisconsin's taxpayers and teachers. A model for reform is the health insurance pool for state employees. This is administered by the Department of Employee Trust Funds (ETF), as is a similar pool available to Wisconsin public employers. On a statewide basis, savings that could accrue to school districts through participation in the state employee health insurance pool are estimated to be approximately $50,000,000 per year. If the savings were passed to Wisconsin's teachers, the average teacher in the state would receive a pay increase of $875.

APPENDIX A

School District Health Plan Features, 1999-2000

School District	Carrier[38]	Deductible Paid by Employee: Per Person	Deductible Paid by Employee: Per Family	Co-Insurance Paid by Employee: Employee Share	Max out of Pocket: Single	Max out of Pocket: Family
Abbotsford	SECURIT	50	100			
Adams-Friendship	WPS	100	300			
Albany	WEA					
Algoma	WEA	100	200			
Alma	WEA	100	300			
Alma Center	WEA	100	300			
Almond-Bancroft	WEA	100	300			
Altoona	WEA	25	75			
Amery	WEA	250	500			
Arcadia	BC/BS	100	200			
Arrowhead UHS	WEA					
Ashland	EPIC	250	500			
Athens	WEA		200			
Auburndale	WEA	100	200	10	500	1000
Augusta	WEA	150	300			
Baldwin-Woodville	WEA	100	300			
Bangor	WEA	100	200	20	1100	2200
Barneveld	WEA				100	200
Bayfield	WEA	100	300	20	500	2000
Beaver Dam	WEA					
Beecher-Dunbar-Pembine	WEA	100	300	20	500	1000
Belleville	WEA	100	200			
Beloit	1STCHOI	100	200	20	12500	12500
Beloit Turner	WEA	100	200			
Berlin	WEA	50	100	20		
Big Foot UHS	WEA					
Black Hawk	WEA	100	200			
Blair-Taylor	WPS	100	200	20	500	1000
Bonduel	WEA	100	300			
Boscobel	WEA	100	300	90	1000	1000
Bowler	WEA	100	300			
Brighton #1	WEA					
Brillion	BC/BS	100	200	20	500	1000
Bristol #1	WEA	100	300			
Brodhead	WEA	100	200			
Burlington	WEA	100	200			
Butternut	SBA	100	200			
Cadott Comm	WEA	250	500			
Cambria-Friesland	WEA	100	200			
Cambridge	WEA	100	200			
Cameron	WEA	100	200	20		
Campbellsport	WEA	100	300	10	250	500

APPENDIX A (cont.) SCHOOL DISTRICT HEALTH PLAN FEATURES, 1999-2000

		Deductible Paid by Employee		Co-Insurance Paid by Employee		
		Per	Per	Employee	Max out of Pocket	
School District	Carrier	Person	Family	Share	Single	Family
Cedar Grove-Belgium	WEA	100	300	10		
Cedarburg	WEA	100	200			
Central/Westosha UHS	WEA	100	200		1000	
Chilton	BC/BS	100	300	20	2000	5000
Chippewa Falls	WELLMAR	100	200			
Clayton	BC/BS	300	600			
Clear Lake	WEA	100	300			
Clinton Comm	WEA	100	200			
Clintonville	WPS	100	200			
Cochrane-Fountain City	WEA	100	300			
Coleman	WEA	100	300			
Colfax	WEA	100	200			
Columbus	WPS	100	300			
Cornell	WEA	100	200			
Crandon	WEA	100	200			
Crivitz	WEA	100	300			
Cumberland	WEA	100	300			
Darlington Comm	WEA	100	200			
De Forest	WEA					
De Pere	BC/BS	100	200	20	500	1000
De Soto	WEA	100	200			
Delavan-Darien	WEA	100	300			
Denmark	WEA	100	200			
Dodgeland						
Dover #1	WEA	100	200			
Drummond	WEA	100	200			
Durand	WEA	100	300			
Eau Claire	Valley Hea	250	750	20	250	2250
Edgar	WEA	75	250			
Edgerton	WEA	100	200			
Eleva-Strum	WEA	50	100		500	1000
Elk Mound	BC/BS	100	300			
Elkhart Lake-Glenbeulah	BC	100	300	20	2000	5000
Elkhorn	WEA	100	300			
Ellsworth Comm	WEA	100	300			
Elmbrook	EMPLOYEE	100	200	20		
Erin	WEA					
Evansville Comm	WEA	100	200			
Fall Creek	WEA	200	500			
Fennimore Comm	UNITY					
Flambeau	SECURIT					
Fond du Lac	WEA	100	200	20	1100	2200

APPENDIX A (cont.) SCHOOL DISTRICT HEALTH PLAN FEATURES, 1999-2000

		Deductible Paid by Employee		Co-Insurance Paid by Employee		
		Per	Per	Employee	Max out of Pocket	
School District	Carrier	Person	Family	Share	Single	Family
Fontana J8	WEA	100	200			
Fort Atkinson	BC/BS	100	200			
Franklin	WEA	100	200			
Frederic	WEA	100	200			
Freedom	WEA	100	200			
Friess Lake	Compcare					
Galesville-Ettrick-Trempealeau	WEA	100	200			
Genoa City J2	WEA	100	300			
Germantown	WEA	100	200			
Gillett	WEA	100	300	10	250	500
Gilman	WEA	100	200			
Gilmanton	WEA	100	300			
Glendale-River Hills	WEA	100	200			
Glidden	SOUND	100	200			
Grafton	WEA	100	200			
Granton	WEA	100	200			
Green Bay	HRM	100	300			
Green Lake	WEA	100	200			
Greendale	BC/BS	200	400			
Hamilton	WPS	100	200	10	2000	5000
Hartford UHS	WEA					
Hartland-Lakeside J3	WEA	100	200			
Hayward Comm	BC/BS	100	200	20	400	800
Hilbert	BC/BS	100				
Hortonville	BC/BS	500	1000			
Howards Grove	WEA	250	500			
Hudson	WEA	100	300			
Hustisford	WEA					
Independence	WEA	100	300			
Iola-Scandinavia	WEA	100	200			
Iowa-Grant	WEA			20	100	200
Ithaca	WEA					
Janesville	HUMANA	200	600	20		
Jefferson	WEA	100	200	10	2000	4000
Kettle Moraine	WEA					
Kickapoo	WEA					
Kimberly	WEA	100	200			
La Farge	WEA	100	200			
Ladysmith-Hawkins	SECURIT					
Lake Country	WEA					
Lake Geneva J1	BC/BS	100	200			

APPENDIX A (cont.) SCHOOL DISTRICT HEALTH PLAN FEATURES, 1999-2000

		Deductible Paid by Employee		Co-Insurance Paid by Employee		
					Max out of Pocket	
School District	Carrier	Per Person	Per Family	Employee Share	Single	Family
Lake Geneva-Genoa City UHS	BC/BS	100	200			
Lake Mills	WEA					
Laona	WEA	100	300	20	500	1000
Linn J4	WEA					
Linn J6	WEA	100	300	20	500	1000
Little Chute	WEA	100	200			
Lodi	WEA	100	200	15	490	1079
Loyal	SECURIT	150	450			
Luck	WEA	200	300			
Luxemburg-Casco	WEA	100	200			
Madison Metro	WPS					
Manawa	WEA	100	200			
Manitowoc	HUMANA			20	600	1200
Maple	EPIC	100	300	20	100	300
Maple Dale-Indian Hill	WEA	100	200			
Marathon City	WEA	100	300			
Marinette	WEA	100	400			
Marion	WEA	100	300	20	500	1000
Marshfield	SECURIT	100	300			
Mauston	WEA	100	300	20		1000
Mayville	HUMANA	200	400	10		
McFarland	DEANCAR					
Medford	WEA	25	75			
Mellen	SOUND	100	200			
Menominee Indian	WEA	100	300			
Menomonee Falls	WEA	100	200	20	600	1100
Menomonie	HUMANA	50	150			
Mequon-Thiensville	WEA	100	200			
Merrill	WEA	100				
Milwaukee	BC/BS	50	150	20		
Mineral Point	WEA	100	200			
Minocqua J1	WEA		300			
Mishicot	BC/BS	100	200			
Monona Grove	VARIOUS					
Monroe	WEA	100	200			
Monticello	WEA	100	300	20		
Mosinee	SHP					
Necedah	WEA					
Neenah	BC/BS	150	450			
Neillsville	WEA	100	200	20	500	1000
Neosho J3	WEA	100				

APPENDIX A (cont.) SCHOOL DISTRICT HEALTH PLAN FEATURES, 1999-2000

		Deductible Paid by Employee		Co-Insurance Paid by Employee		
		Per	Per	Employee	Max out of Pocket	
School District	Carrier	Person	Family	Share	Single	Family
New Auburn	WEA	100	300			
New Glarus	WEA	25	75	20	250	250
New Lisbon	WEA	100	200	20		
New London	WEA	200	500			
New Richmond	WEA			20	2500	5000
Niagara	WEA	50	150	20	500	1000
North Cape	WEA	100	200			
Northern Ozaukee	WEA					
Norwalk-Ontario	WEA	100	200			
Oakfield	WEA	100				
Oconomowoc	HEP	100	200			
Oconto	WEA	100	200			
Omro	WEA	100	200			
Onalaska	WEA	100	200			
Oostburg	WEA	100	300			
Oregon	WEA	100	200			
Osceola	WEA	250	500			
Osseo-Fairchild	WEA					
Owen-Withee	WEA	25	75			
Palmyra-Eagle	WEA	250	500			
Paris J1	WEA	100	200			
Park Falls	WEA	100	200			
Parkview	WEA	100	200			
Phillips	WEA	50	100	20		
Platteville	WPS	150	300			
Plum City	WEA	100	300			
Plymouth	BC/BS	100	200	20	500	1000
Port Washington-Saukville	WEA					
Prairie du Chien	WEA	100	200	20	1000	2000
Prairie Farm	MBA	100	200			
Prescott	WEA	100	200			
Princeton	WEA	100	300			
Racine	WAUSAU	100	300	20		
Random Lake	WEA	100	200			

APPENDIX A (cont.) SCHOOL DISTRICT HEALTH PLAN FEATURES, 1999-2000

		Deductible Paid by Employee		Co-Insurance Paid by Employee		
		Per	Per	Employee	Max out of Pocket	
School District	Carrier	Person	Family	Share	Single	Family
Reedsburg	WEA	100	200			
Reedsville	BC/BS	100	200	20	500	1000
Rhinelander	WEA	100	300			
Rib Lake	WEA	100	300			
Richfield J1	WEA	100	200		1000	1000
Rio Comm	WEA	100	200			
Ripon	WEA	250	500			
River Falls	WEA	100	300			
River Ridge	BENEFIT					
River Valley	WEA	100	200			
Riverdale	WEA	100	200			
Rosendale-Brandon	WEA	100	200			
Royall	WEA					
Rubicon J6	WEA	100	300			
Saint Croix Central	WEA	25	75		500	1000
Saint Croix Falls	WEA	100	300			
Sauk Prairie	DEAN CA	100	200			
Seneca	WEA	100	200			
Sevastopol	WEA	100	200			
Seymour Comm	BC/BS	200	400	20	500	1000
Sheboygan Falls	BC/BS	100	200	20	500	1000
Shiocton	WEA					
Shorewood	WEA	100	200			
Shullsburg	WEA	100	200			
Silver Lake J1	WEA	100	200			
Slinger	WEA	100	200			
Solon Springs	SOUND		200			
Somerset	WEA			20	500	1000
South Milwaukee	WEA	100	200			
South Shore	WEA	50				
Southern Door	WEA	100	200			
Sparta	WPS					
Spooner	WEA		200			
Spring Valley	WEA	100	200			

APPENDIX A (cont.) SCHOOL DISTRICT HEALTH PLAN FEATURES, 1999-2000

		Deductible Paid by Employee		Co-Insurance Paid by Employee		
		Per	Per	Employee	Max out of Pocket	
School District	Carrier	Person	Family	Share	Single	Family
Stockbridge	WEA	100	200			
Stone Bank	WEA	100	200			
Stoughton	MBA	50	100	20	400	1000
Stratford	SECURIT					
Sturgeon Bay	WEA	100	200			
Sun Prairie	WEA	100	200			
Superior	WPS	100	200			
Suring	BC/BS	100	200	20		
Swallow	WEA	100	200			
Thorp	WEA	100	300			
Three Lakes	WEA	100	300			
Tomah	WEA	100	300	20	500	1000
Tomorrow River	WEA	100	300			
Tri-County	WEA	100	300	20	500	1000
Two Rivers	BC/BS	200	400	20	500	1000
Union Grove J1	WEA	25	500			
Unity	WEAC	100	300	80	500	500
Valders	WEA	100	300			
Verona	WEA	100	300			
Viroqua	WEA	100	300			
Wabeno	WEA	100	300			
Washburn	WEA	50	150			
Washington	WEA		100			
Washington-Caldwell	WEA	100	300			
Waterford Graded	WEA	100	200	20	600	1300
Waterford UHS	WEA	100	300			
Waterloo	WEA	100	200	20	600	1200
Watertown	WPS	100	300			
Waunakee Comm	WPS	100	200			
Waupaca	WEA	100	200			
Webster	WEA	100	300			
West Allis-West Milwaukee	WEA	100	200			
West Bend	Humana	100	300	20	500	1500
West Salem	WEA	100	200	90		

APPENDIX A (cont.) **SCHOOL DISTRICT HEALTH PLAN FEATURES, 1999-2000**

		Deductible Paid by Employee		Co-Insurance Paid by Employee		
		Per	Per	Employee	Max out of Pocket	
School District	Carrier	Person	Family	Share	Single	Family
Westfield	WEA	100	200	20		
Weyerhaeuser	WEA			20	500	1000
Wheatland J1	WEA	100	200			
Whitefish Bay	WEA	100	200			
Whitehall	WEA	100	200			
Whitewater	WEA	100	200			
Whitnall	HUMANA				2000000*	
Wild Rose	WEA	100	300			
Wilmot Grade	WEA	100	300			
Wilmot UHS	WEA	100	300			
Winneconne Comm	WEA	100	200			
Winter	WEA	100	300	20		
Wisconsin Dells	WEA	100	200			
Wisconsin Heights	Self Fund	100	200	20	400	1000
Wittenberg-Birnamwood	WEA	100	200			
Wonewoc-Union Center	WEA	100	300			
Woodruff J1	WEA	100	300	20	2500	5000
Wrightstown						

Notes: *Only districts that reported insurance data are shown. Blanks indicate data were not reported. *This is the reported data.*

Source: *WASB School District Settlement Database.*

APPENDIX B

WASB 2000-01 TEACHER BENEFIT SURVEY

School District: _____ **Date:** _____

Reported by: _____ **Position:** _____ **Phone:** _____

INSTRUCTIONS

2000-01 surveys are now available online at: http://www.wasb.org/employee/surveys/html.

Complete this survey as soon as your 2000-01 insurance rates are known.

If the district is not yet settled with the teachers union, but the insurance rates are known, please complete all of the survey questions on which the district and the union proposals agree. If the district is not settled, please indicate which benefits are currently in dispute:

_____ Health _____ Dental _____ Life

_____ Disability _____ Retirement _____ Early Retirement

If you feel that there is not enough space provided, please feel free to attach information or write in the space at the bottom of this page or on the back of this survey.

We thank you in advance for your participation.

MAILING

Please send the requested information to:

Wisconsin Association of School Boards
122 W. Washington Avenue, Suite 400
Madison, WI 53703

QUESTIONS

If you have any questions, please call: Madison (608) 257-2622 Wausau (715) 842-8488

COMMENTS

A. HEALTH INSURANCE

1. MONTHLY Premium

	Single	Family
Total Cost:	$_____	$_____
District Pays	$_____	$_____

NOTE: If there is more than one premium rate during the plan year, please list them and the effective dates for each in the Comments Section.

NOTE: If you district offers more than one health plan, please list that information in the Comments Section.

2. Is there a deductible? Yes _____ No _____

   a. If yes, how much? Per person $_____ Per family $_____

   b. Is the deductible reimbursed by the district? Yes ___ No ___

   c. Does the deductible apply...
   To all major medical expenses? Yes ___ No ___

   "Up front" on all insurance? Yes ___ No ___

3. Is there a co-pay feature? Yes ___ No ___
   (e.g., 80% paid by insurer/ 20% paid by the employee up to $2000)

   a. What % does the employee pay? _____%

   b. Up to what maximum dollar amount? Single $_____ Family $_____

4. Name of Carrier: _____

5. Renewal date: _____

6. Is the plan self funded? Yes ___ No ___

7. Do you offer cash or a tax sheltered annuity to teachers not taking health insurance?

   Yes ___ No ___ Explain: _____

8. Do you offer a Section 125 Flexible Spending Account? Yes ___ No ___

   Please identify the administrator of the 125 plan: _____

School District: _____ **Date:** _____

Reported by: _____ **Position:** _____ **Phone:** _____

B. DENTAL INSURANCE

1. MONTHLY Premium

	Single	Family
Total Cost:	$_____	$_____
District Pays	$_____	$_____

2. Is there a deductible? Yes ___ No ___

   a. If yes, how much? Per person $_____ Per family $_____

3. Is there a co-pay feature? Yes ___ No ___

   a. What % does the employee pay? _____%

   b. Up to what maximum dollar amount? Single $_____ Family $_____

4. Name of Carrier: _____

5. Renewal date: _____

6. Is orthodontics covered? Yes ___ No ___

7. Is the plan self funded? Yes ___ No ___

C. VISION INSURANCE

1. MONTHLY Premium

	Single	Family
Total Cost:	$_____	$_____
District Pays	$_____	$_____

2. Name of Carrier: _____

3. Renewal Date: _____

D. GROUP LIFE INSURANCE

1. Amount of coverage: $_____ or _____ times the annual salary

2. % of premium district pays _____%

3. Name of Carrier: _____

4. Renewal Date: _____

School District: _____ **Date:** _____

Reported by: _____ **Position:** _____ **Phone:** _____

E. LONG-TERM DISABILITY

1. Premium cost _____ (rate per $1000 of salary)
2. % of premium district pays _____%
3. Benefit level _____% of salary after _____ days
4. Name of Carrier: _____
5. Renewal Date: _____

F. SHORT-TERM DISABILITY

1. Premium cost _____ (rate per $1000 of salary)
2. % of premium district pays _____%
3. Benefit level _____% of salary after _____ days
4. Name of Carrier: _____
5. Renewal Date: _____

G. STATE TEACHERS' RETIREMENT

1. Employee portion paid by the Board:
   a. A flat % of the teacher's gross salary (Salary schedule plus extra duty) _____%
   b. A flat % of the teacher's salary schedule rate only _____%
2. Employer portion _____%

H. TEACHERS' WORK YEAR

1. Paid student days _____
2. Paid inservice and workdays _____
3. Paid teacher convention days
   a. State convention _____
   b. Regional convention _____
4. Paid holidays _____
5. Other paid days _____
6. TOTAL number of paid days _____
7. According to contract language, how many days are made up by teachers when schools are closed for any reason? _____

School District: _____ **Date:** _____
Reported by: _____ **Position:** _____ **Phone:** _____

I. TEACHERS' WORKDAY

		Elementary	Secondary
1.	Time teachers arrive at school	_____	_____
2.	Time teachers leave school	_____	_____
3.	Length of duty free lunch (minutes)	_____	_____

4. Are teachers allowed to leave early on Fridays or days before holiday/vacation?

Yes _____ No _____

J. CREDIT REIMBURSEMENT

Are teachers reimbursed for the cost of taking additional coursework? Yes ___ No _____

	Undergrad.	Graduate
Per semester credit	$_____	$_____
Maximum per year	$_____	$_____

K. PER DIEM SUBSTITUTE TEACHER PAY

1. Negotiated Yes _____ No _____
2. Per day rate $_____
3. Long term $_____ after _____ days on job

L. EARLY RETIREMENT

1. Minimum number of years of district service to qualify _____
2. Minimum age to qualify _____
4. Maximum benefits available to early retiree:

		$ or % paid by the Board	
a.	Health Insurance	Single _____	for _____ years
		Family _____	for _____ years
b.	Dental Insurance	Single _____	for _____ years
		Family _____	for _____ years

c. Stipend _____

d. Sick leave payout _____

e. Other (please describe and list the maximum amount) _____

School District: _____ **Date:** _____
Reported by: _____ **Position:** _____ **Phone:** _____

APPENDIX C

POTENTIAL SAVINGS THROUGH THE STATE EMPLOYEE PLAN
1999-2000 YEAR

School District	Potential Yearly Savings	Savings per FTE
Albany	($7,482.87)	($189.44)
Algoma	$36,231.30	$680.40
Alma	$38,396.59	$1,373.76
Almond-Bancroft	$16,376.00	$460.00
Altoona	($7,994.09)	($89.60)
Amery	$30,113.31	$248.48
Arcadia	($21,913.53)	($321.36)
Arrowhead UHS	$70,198.58	$625.60
Ashland	$188,360.07	$1,109.24
Auburndale	($19,717.96)	($303.12)
Augusta	($15,655.51)	($294.00)
Baldwin-Woodville	$40,060.87	$494.64
Bangor	$7,235.87	$146.12
Barneveld	$56,607.34	$1,544.96
Beaver Dam	$245,418.33	$1,098.56
Beecher-Dunbar-Pembine	$7,305.24	$286.48
Belleville	$65,170.89	$1,108.16
Beloit	($296,038.39)	($636.04)
Beloit Turner	$70,142.63	$1,016.56
Berlin	$50,231.07	$406.40
Big Foot UHS	$34,384.31	$878.72
Black Hawk	$88,777.75	$1,723.84
Blair-Taylor	($33,244.94)	($557.24)
Bonduel	$553.96	$9.12
Bowler	($610.27)	($13.04)
Brighton #1	($2,234.66)	($195.68)
Brillion	($23,994.08)	($357.64)
Bristol #1	$17,180.23	$519.04
Brodhead	($8,085.78)	($112.24)
Burlington	$357,234.12	$1,801.12
Butternut	$22,130.39	$1,099.92
Cadott Comm	$11,907.85	$196.24
Cambria-Friesland	$10,879.15	$298.96
Cambridge	($14,107.21)	($185.28)
Cameron	$76,507.68	$1,283.04
Campbellsport	$55,297.65	$542.24
Cedar Grove-Belgium	$8,425.49	$151.92
Cedarburg	$206,996.11	$1,195.68
Central/Westosha UHS	$50,913.46	$804.32
Chilton	$52,689.21	$624.28
Chippewa Falls	($138,100.66)	($488.80)

School District	Potential Yearly Savings	Savings per FTE
Clayton	($9,135.27)	($295.64)
Clear Lake	($9,531.59)	($195.60)
Clinton Comm	$58,220.14	$627.44
Clintonville	$89,458.79	$762.00
Cochrane-Fountain City	$72,612.57	$1,259.76
Coleman	($1,977.56)	($31.52)
Colfax	($11,434.11)	($205.28)
Columbus	($13,414.15)	($157.24)
Cornell	($13,477.18)	($300.16)
Crandon	$23,685.60	$333.60
Crivitz	$5,832.25	$94.48
Cumberland	$104,963.39	$1,387.12
Darlington Comm	$108,069.95	$1,544.96
De Forest	($6,665.59)	($30.32)
De Pere	$54,656.58	$344.12
Delavan-Darien	$19,794.08	$124.64
Denmark	$187,977.56	$1,883.92
Dover #1	$2,142.27	$286.40
Drummond	$85,535.11	$2,080.64
Durand	$9,460.73	$106.72
Eau Claire	($156,619.01)	($210.32)
Edgar	$50,073.40	$1,108.80
Edgerton	$92,440.06	$709.44
Eleva-Strum	$14,100.15	$286.88
Elk Mound	$33,874.84	$631.64
Elkhart Lake-Glenbeulah	$51,926.06	$1,020.76
Elkhorn	$89,605.64	$626.00
Ellsworth Comm	$54,145.65	$445.68
Elmbrook	$566,179.85	$1,173.60
Erin	($5,964.04)	($239.52)
Evansville Comm	$17,742.80	$157.84
Fall Creek	$12,089.56	$207.76
Flambeau	$12,157.85	$234.12
Fond du Lac	$658,585.55	$1,508.96
Fontana J8	$18,156.32	$844.48
Fort Atkinson	$62,168.52	$350.64
Franklin	$469,678.44	$1,835.04
Frederic	($5,877.82)	($130.88)
Freedom	$12,055.96	$127.28
Galesville-Ettrick-Trempe	($732.64)	($7.36)
Germantown	$191,813.07	$842.32
Gillett	($2,766.09)	($45.60)
Gilman	$35,361.19	$793.92
Gilmanton	$15,435.74	$715.28
Glendale-River Hills	$190,891.85	$2,573.36

School District	Potential Yearly Savings	Savings per FTE
Glidden	$32,022.69	$1,450.96
Grafton	$212,302.34	$1,586.24
Granton	$22,043.65	$725.12
Green Bay	$3,185,168.02	$2,475.84
Green Lake	$204.71	$5.92
Greendale	$334,681.57	$2,347.16
Hamilton	$602,056.02	$2,682.72
Hartford UHS	$48,241.14	$486.40
Hartland-Lakeside J3	$176,529.47	$1,953.84
Hayward Comm	($88,947.22)	($623.36)
Hilbert	$36,146.53	$911.64
Hillsboro	$29,675.45	$704.88
Hortonville	$53,603.57	$315.00
Hustisford	$15,059.95	$464.24
Independence	$2,733.06	$98.56
Iola-Scandinavia	$28,485.70	$533.84
Iowa-Grant	$104,296.46	$1,368.72
Janesville	($592,765.09)	($819.88)
Jefferson	$29,955.71	$231.64
Kettle Moraine	$438,058.45	$1,623.04
Kickapoo	$2,286.93	$55.36
Kimberly	($29,367.32)	($162.00)
Ladysmith-Hawkins	($16,407.65)	($181.32)
Lake Country	$20,507.87	$505.12
Lake Geneva J1	$41,609.74	$452.92
Lake Geneva-Genoa City	$31,794.97	$452.92
Lake Mills	($8,683.18)	($104.24)
Laona	$8,451.21	$331.68
Linn J4	$2,366.31	$261.76
Linn J6	$12,347.06	$1,066.24
Little Chute	($24,598.08)	($270.16)
Lodi	$3,036.77	$28.96
Loyal	$19,700.98	$415.72
Luck	($10,740.87)	($244.00)
Luxemburg-Casco	$73,143.01	$680.40
Madison Metro	$2,454,364.57	$1,263.56
Manitowoc	($2,289.68)	($6.12)
Maple	($49,532.57)	($603.32)
Maple Dale-Indian Hill	$83,323.22	$1,651.60
Marathon City	$40,594.74	$862.80
Marinette	$28,770.32	$153.36
Marion	$13,164.88	$270.16
Marshfield	$112,797.20	$435.04
Mauston	($47,504.82)	($399.20)
Mayville	$96,784.51	$1,130.00

School District	Potential Yearly Savings	Savings per FTE
McFarland	($67,048.88)	($505.00)
Medford	$47,200.02	$301.04
Mellen	$59,609.12	$1,975.12
Menominee Indian	($144,434.52)	($1,347.84)
Menomonee Falls	$153,380	$531.52
Mequon-Thiensville	$326,808.89	$1,217.12
Merrill	$205,061.36	$928.72
Milwaukee	$12,878,793.72	$2,200.36
Mineral Point	$91,647.03	$1,544.96
Minocqua J1	$23,551.32	$506.48
Mishicot	$3,087.39	$43.12
Monroe	$297,126.93	$1,519.52
Monticello	$32,255.15	$951.76
Mosinee	($80,623.99)	($623.88)
Necedah	($58.11)	($1.04)
Neenah	($274,414.29)	($687.60)
Neillsville	$59,845.63	$706.56
Neosho J3	$11,749.94	$581.68
New Auburn	($1,944.27)	($79.52)
New Glarus	$5,763.14	$112.08
New Lisbon	$6,324.72	$116.80
New London	($51,711.52)	($328.64)
New Richmond	$2,594.36	$17.68
Niagara	($20,844.93)	($501.08)
North Cape	$12,931.32	$1,159.76
Northern Ozaukee	$19,384.14	$322.80
Oakfield	$33,333.66	$744.72
Oconomowoc	$340,628.04	$1,234.92
Oconto	$4,670.08	$49.44
Omro	$108,933.01	$1,320.24
Onalaska	$285,216.63	$1,579.36
Oostburg	$509.08	$8.72
Oregon	$176,713.78	$787.60
Osceola	($10,402.98)	($101.92)
Osseo-Fairchild	$44,061.79	$639.04
Owen-Withee	$28,515.29	$624.24
Palmyra-Eagle	$89,303.19	$965.44
Paris J1	$19,824.97	$1,870.28
Park Falls	$29,862.56	$468.80
Parkview	$77,731.38	$897.28
Phillips	$18,735.91	$218.24
Platteville	$22,644.22	$180.72
Plum City	($4,389.44)	($167.60)
Plymouth	($77,037.73)	($500.44)
Port Washington-Saukville	$85,306.23	$464.96

School District	Potential Yearly Savings	Savings per FTE
Prairie du Chien	$43,756.19	$482.96
Prairie Farm	$41,257.49	$1,329.60
Prescott	($9,684.38)	($124.96)
Princeton	$3,990.58	$107.36
Racine	$2,466,016.40	$1,810.00
Random Lake	$8,128.37	$104.72
Reedsburg	$13,091.95	$79.12
Reedsville	($17,752.31)	($362.44)
Rhinelander	$199,709.32	$936.24
Rib Lake	$232.20	$5.12
Richfield J1	$34,384.93	$1,266.48
Rio Comm	($13,901.66)	($326.56)
Ripon	$67,837.98	$594.08
River Falls	($51,370.29)	($262.16)
River Ridge	$14,158.32	$276.80
River Valley	$88,990.91	$775.52
Riverdale	$66,810.01	$1,020.00
Rosendale-Brandon	$91,150.23	$1,158.64
Royall	$4,175.60	$57.20
Rubicon J6	$10,621.06	$1,041.28
Saint Croix Central	($3,050.78)	($47.52)
Saint Croix Falls	$17,926.04	$252.80
Sauk Prairie	$105,816.12	$573.84
Seneca	$28,191.37	$860.28
Sevastopol	($8,863.57)	($174.48)
Seymour Comm	($56,585.98)	($388.56)
Sheboygan Falls	($62,731.64)	($522.72)
Shiocton	($6,866.43)	($119.52)
Shorewood	$325,691.58	$2,084.96
Shullsburg	$28,174.14	$694.80
Silver Lake J1	$29,640.37	$852.96
Slinger	($87,762.35)	($558.32)
Solon Springs	($15,832.34)	($465.52)
South Shore	$47,632.76	$2,007.28
Southern Door	$27,670.13	$284.00
Sparta	$454,253.48	$2,276.96
Spooner	$35,816.63	$324.72
Spring Valley	$6,991.12	$133.52
Stockbridge	$4,287.36	$184.80
Stoughton	($49,385.28)	($224.00)
Stratford	$4,086.78	$80.48
Sturgeon Bay	($17,639.91)	($174.48)
Sun Prairie	$61,079.01	$193.76
Superior	($544,272.67)	($1,569.64)
Suring	$22,250.65	$445.28

School District	Potential Yearly Savings	Savings per FTE
Swallow	$9,181.92	$425.68
Thorp	$64,514.92	$1,312.88
Three Lakes	$15,854.61	$302.80
Tomah	$203,767.94	$952.32
Tomorrow River	$47,974.02	$699.84
Tri-County	$72,985.33	$1,310.80
Unity	$11,650.70	$138.32
Valders	($15,038.09)	($203.52)
Verona	$36,252.99	$121.28
Viroqua	$53,590.32	$519.84
Washburn	($41,884.95)	($733.28)
Washington	($1,936.73)	($174.48)
Washington-Caldwell	$19,534.06	$1,520.16
Waterford Graded	$75,805.04	$874.64
Waterford UHS	$76,327.99	$1,316.00
Waterloo	($20,198.05)	($317.28)
Watertown	$352,806.98	$1,550.80
Waunakee Comm	($97,759.86)	($538.80)
Waupaca	$113,607.08	$635.28
Webster	$115,695.15	$1,887.36
West Allis-West Milwaukee	$558,697.29	$1,052.24
West Bend	$111,194.90	$275.16
West Salem	$71,246.13	$677.76
Westfield	$27,988.08	$305.28
Weyerhaeuser	($14,874.41)	($687.04)
Wheatland J1	$17,188.61	$440.96
Whitehall	$18,372.13	$334.16
Whitewater	$32,841.62	$248.80
Whitnall	$192,655.30	$1,250.44
Wild Rose	$48,643.75	$991.92
Wilmot UHS	$31,021.69	$544.24
Winneconne Comm	$85,363.93	$839.04
Winter	$393.80	$13.04
Wisconsin Dells	$1,137.39	$9.52
Wisconsin Hts	$32,873.64	$372.00
Wittenberg-Birnamwood	$23,792.51	$234.64
Wonewoc-Union Center	$2,188.37	$65.52
Woodruff J1	$12,781.06	$278.88

Notes

1. 1978 Wisconsin. Statutes. Ann. 788.
2. 1993 Wisconsin Act 16.
3. Gary Watchke, *Budget Brief 98-5*. Wisconsin Legislative Reference Bureau, June 1998.
4. This information was obtained through conversation with a representative of the Wisconsin Federation of Teachers (WFT). The WFT is affiliated with the American Federation of Teachers.
5. *All About the Wisconsin Education Association Council*, obtained from WEAC web site: weac.org, August 2000.
6. Discussion with Barry Forbes, Wisconsin Association of School Boards, August 17, 2000; testimony of Gregg Bass at arbitration hearing of CESA #2, 1998.
7. State of Wisconsin Office of the Insurance Commissioner, *Report of the Examination of WEA Insurance Corporation*, February 1998, p. 7.
8. *Market Conduct Examination of WEA Insurance Corporation*, State of Wisconsin, Office of the Insurance Commissioner, November 1997.
9. Tax exemption is provided under 501c-9 for "organizations that are: Voluntary employee's beneficiary associations for the payment of life, sick, accident or other benefits to the members of such association or their dependents or designated beneficiaries if no part of the net earnings of such association inures (other than through such payments) to the benefit of any private shareholder or individual."
10. S120.12 (24) "The school board of a common or union high school district shall: Prior to the selection of any group health care benefits provider for school district professional employees as defined in s.111.70(1)(ne), solicit sealed bids for the provision of such benefits."
11. Wisconsin Statutes Chapter 120.
12. Wisconsin Statutes Sec. S116.01.
13. Wisconsin Statutes Sec. S116.015 - ANNOT.
14. *About WASB*, Wisconsin Association of School Boards, August 2000, web site: wasb.org.
15. *Wisconsin Insurance Report, 1999*. Financial and Statistical Data. Wisconsin Office of the Insurance Commissioner.
16. WEA, Inc., Annual Statement, Wisconsin Office of the Insurance Commissioner, 1999.
17. Starr, Paul. *The Social Transformation of American Medicine*. Basic Books Inc., New York. 1982.
18. Burton, T. Beam Jr. and McFadden, John J. *Employee Benefits*. Homewood, Illinois, Irwin 1988.
19. *Report of the Examination of Blue Cross and Blue Shield United of Wisconsin*, Wisconsin Office of the Insurance Commissioner, March 1999.
20. Blue Cross and Blue Shield United of Wisconsin, Annual Statement, Wisconsin Office of the Insurance Commissioner, 1999.
21. *About the Wisconsin Physician Service Insurance Corporation (WPS)*, web site: wpsic.com. September 2000.
22. Wisconsin Physician Services, Inc., Annual Statement, Wisconsin Office of the Insurance Commissioner, 1999.
23. *Humana History*, Corporate Communications. web site:humana.com.
24. *Managed Care Desk Audit of Humana Wisconsin Health Organization Insurance Corporation*, Wisconsin Office of the Insurance Commissioner, 1999.
25. Several districts report coinsurance rates of 90%. If these were correct, they would be quite unusual. A mistake in reporting by these school districts may have occurred.
26. Taylor, Amy and Wilensky, Gail R. "The Effect of Tax Policies on Expenditures for Private Health Insurance." *Market Reforms in Health Care*. Jack Meyer, Editor. American Enterprise Institute: 1983.
27. Phelps, Charles E. *Demand for Health Insurance: A Theoretical and Empirical Investigation*. Santa Monica, CA: Rand, 1973.
28. Browne, Mark J., 1992, "Evidence of Adverse Selection in the Individual Health Insurance Market," *Journal of Risk and Insurance*, 59: 13-33.
29. Health care cost information in Wisconsin can be accessed through the following website: http://badger.state.wi.us/agencies/oci/ohci/qcmain.htm

30. Wisconsin Office of the Insurance Commissioner. *Wisconsin Insurance Report, Year Ending 1999* (also 1998, 1997, 1996, 1995).

31. In 1997 WEAIC remitted $9.4 million to WEAIT and recorded the transaction as a return of paid-in-surplus. (*Report of the Examination of WEA Insurance Corporation*, Wisconsin Office of the Insurance Commissioner, February 1998). This payment of an extraordinary dividend was approved by the Wisconsin State Insurance Commissioner as required by Wisconsin Statute 617.225.

32. *It's Your Choice 1999-2000*, Published by The Department of Employee Trust Funds: Madison, Wisconsin (manual provided to state employees).

33. Informational Paper #73, Wisconsin Retirement System, Wisconsin Legislative Fiscal Bureau, January 1999.

34. Although by regulation school district employees are not eligible for participation in the state employee pool, the estimation of the savings that could be gained, if they did participate, is nonetheless informative. Determination of the savings that districts would realize if they participated in the Wisconsin public employers' group health insurance pool could not be calculated due to lack of availability of premium data during the period of data analysis.

35. The savings that a district would achieve would in part be realized by its employees, if employees in the district pay a portion of the premium cost.

36. To calculate this number, savings are summed for all districts for which possible savings were able to be determined. This sum was then multiplied by the ratio of the sum of FTEs in all districts to the sum of FTEs in districts for which savings were determinable. The savings that were calculated for each district and the state as a whole are based on the number of FTEs in each districted as reported by the DPI.

37. The WASB estimates that in a given year less than 5% of district health insurance plans are put out to bid.

38. Carrier names as listed were provided by the Wisconsin Association of School Boards.

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